
HOUSE BILL No. 1988

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-22.

Synopsis: Tax credit for political contributions. Allows a credit against state tax liability for 50% of contributions made during a taxable year to certain political committees in aid of: (1) the election or defeat of a candidate for a federal, state, legislative, local, or school board office that will appear on the ballot in Indiana; or (2) the success or defeat of a political party or a public question submitted to a vote in an election. Provides that the amount of the credit for any taxable year may not exceed \$250. Provides that a contribution is not eligible for the credit if made in violation of any law governing political contributions.

Effective: January 1, 2001 (retroactive).

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January 17, 2001, read first time and referred to Committee on Ways and Means.

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Introduced

First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

HOUSE BILL No. 1988

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.1-22 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2001 (RETROACTIVE)]:

4 **Chapter 22. Political Contribution Tax Credit**

5 **Sec. 1. As used in this chapter, "committee" refers to any of the**
6 **following:**

- 7 (1) A candidate's committee (as defined in IC 3-5-2-7).
8 (2) A regular party committee (as defined in IC 3-5-2-42).
9 (3) A political action committee (as defined in section 4 of this
10 chapter).
11 (4) A legislative caucus committee (as defined in
12 IC 3-5-2-27.3).

13 **Sec. 2. As used in this chapter, "contribution" has the meaning**
14 **set forth in IC 3-5-2-15.**

15 **Sec. 3. As used in this chapter, "pass through entity" means:**

- 16 (1) a corporation that is exempt from the adjusted gross
17 income tax under IC 6-3-2-2.8(2);

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- (2) a partnership;
- (3) a limited liability company; or
- (4) a limited liability partnership.

Sec. 4. (a) As used in this chapter and except as provided in subsection (b), "political action committee" means an organization located within or outside Indiana that satisfies all of the following:

- (1) The organization proposes to influence:
 - (A) the election of a candidate for a federal, state, legislative, local, or school board office that will appear on the ballot in Indiana; or
 - (B) the outcome of a public question that will appear on the ballot in Indiana.

- (2) The organization accepts contributions or makes expenditures during a calendar year:

- (A) to influence:
 - (i) the election of a candidate for a federal, state, legislative, local, or school board office that will appear on the ballot in Indiana; or
 - (ii) the outcome of a public question that will appear on the ballot in Indiana; and

- (B) that in the aggregate exceed one hundred dollars (\$100).

- (3) The organization is not any of the following:

- (A) An auxiliary party organization.
- (B) A legislative caucus committee.
- (C) A regular party committee.
- (D) A candidate's committee.

(b) A corporation or labor organization that makes a contribution in accordance with IC 3-9-2 or makes an expenditure described in subsection (a)(2) is not considered a political action committee for the purposes of this chapter.

Sec. 5. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-2.1 (the gross income tax);
- (2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- (3) IC 6-3-8 (the supplemental net income tax);
- (4) IC 6-5-10 (the bank tax);
- (5) IC 6-5-11 (the savings and loan association tax);
- (6) IC 27-1-18-2 (the insurance premiums tax); and
- (7) IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this



1 chapter.

2 Sec. 6. As used in this chapter, "taxpayer" means any person,
3 corporation, partnership, or other entity that has any state tax
4 liability.

5 Sec. 7. A taxpayer is entitled to a credit against the taxpayer's
6 state tax liability for the taxable year in an amount, subject to the
7 limitations set forth in section 8 of this chapter, equal to fifty
8 percent (50%) of the aggregate amount of contributions made to
9 a committee by the taxpayer during the taxable year in aid of any
10 of the following:

11 (1) The election or defeat of a candidate for a:

12 (A) federal;

13 (B) state;

14 (C) legislative;

15 (D) local; or

16 (E) school board;

17 office appearing on the ballot in Indiana in a primary election,
18 general election, or caucus.

19 (2) The success or defeat of:

20 (A) a political party; or

21 (B) a public question submitted to a vote in an election.

22 Sec. 8. (a) The amount allowable as a credit under this chapter
23 for any taxable year may not exceed two hundred fifty dollars
24 (\$250).

25 (b) If a taxpayer and a taxpayer's spouse file a joint income tax
26 return, only one (1) credit may be claimed by the taxpayer and the
27 taxpayer's spouse under this chapter for the taxable year.
28 However, in the case of a husband and wife who:

29 (1) jointly make a contribution described in section 7 of this
30 chapter; and

31 (2) file separate tax returns;

32 the husband and wife may take the credit in equal shares, or one
33 (1) spouse may take the whole credit.

34 (c) A contribution is not eligible for the credit available under
35 this chapter if the credit was made in violation of IC 3-9 or any
36 other federal, state, or local law governing political contributions.

37 Sec. 9. (a) For purposes of this chapter, a taxpayer makes a
38 contribution during the taxable year in which the taxpayer
39 relinquishes control over the contribution by:

40 (1) depositing the contribution in the United States mail; or

41 (2) transferring the contribution to any other person who has
42 been directed to convey the contribution to the person or

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committee intended to be the recipient of the contribution.

(b) For purposes of this chapter, a contribution is considered to be received and accepted by a committee when any member of the committee:

- (1) has physical possession of the contribution; and
- (2) manifests an intent to keep the contribution by depositing the contribution, subject to IC 3-9-5-14(c).

(c) If a committee:

- (1) obtains a contribution from a taxpayer;
- (2) determines that the contribution:
 - (A) should not be received and accepted by the committee under subsection (b); or
 - (B) should be refunded, if the contribution has been received and accepted by the committee under subsection (b); and
- (3) returns the contribution to the taxpayer as required under IC 3-9-5-14(c) before the taxpayer has filed the taxpayer's return for the taxable year in which the contribution was made;

the taxpayer may not claim a credit for the contribution for the taxable year in which it was made. However, if the committee returns the contribution to the taxpayer after the taxpayer has filed the taxpayer's return for the taxable year in which the contribution was made, the taxpayer shall amend the taxpayer's return and reimburse the department for the amount of the credit actually received by the taxpayer, if any.

Sec. 10. If the amount of the credit allowed under this chapter for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over to the following taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year. A taxpayer is not entitled to a carryback or refund of any unused credit.

Sec. 11. If a pass through entity does not have state income tax liability against which the credit allowed under this chapter may be applied, a shareholder or partner of the pass through entity is entitled to a tax credit equal to:

- (1) the tax credit determined for the pass through entity for the taxable year; multiplied by
- (2) the percentage of the pass through entity's distributive income to which the shareholder or partner is entitled.



1 The credit provided under this subsection is in addition to a tax
2 credit to which a shareholder or partner of a pass through entity
3 is entitled. However, a pass through entity and an individual who
4 is a shareholder or partner of the pass through entity may not
5 claim more than one (1) credit for the same contribution.

6 Sec. 12. To receive the credit provided under this chapter, a
7 taxpayer must claim the credit on the taxpayer's state tax return
8 or returns in the manner prescribed by the department. The
9 taxpayer shall submit to the department proof of payment of the
10 contributions used to claim the credit and all information that the
11 department determines is necessary for the calculation of the credit
12 provided by this chapter.

13 SECTION 2. [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)]
14 IC 6-3.1-22, as added by this act, applies to taxable years beginning
15 after December 31, 2000.

16 SECTION 3. An emergency is declared for this act.

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